Inventory Management Practices among Small and Micro Businesses during COVID-19 Pandemic

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Abstract

Developing micro, small, and medium businesses (SMEs) encourages Malaysia's economic growth. The Covid-19 pandemic has greatly affected SMEs. During the Covid-19 pandemic, with material shortages and shipping delays, the ability to track the inventory is critical. Adopting digital technology in the inventory tracking process will assist the company in managing its inventory effectively. SMEs need to have relevant knowledge and technical skills to adopt digital technology. Specifically, this study explores SMEs' current inventory management practices to gauge their knowledge of inventory management. Data was collected using semi-structured interviews using a questionnaire with ten SMEs in Selangor. This study documents that SME organisation value is positively associated with best inventory management practices. In addition, results show that divergence can intensify the negative relationship between low inventory management practices and SMEs' value. Findings support the need for more scrutiny by SME owners, regulators, policymakers, and standard setters to monitor the conflict, which is crucial for SMEs to overcome the issues and challenges they face. This study will contribute to the sustainability of SMEs, consistent with the national agenda to strengthen the SMEs as highlighted in the government's new Economic Transformation Program (ETP) through Bumiputera's Economic Transformation Agenda.

Keywords: inventory management, SME community, SME business, COVID-19, structured interview, Malaysia

1. Introduction

Malaysia's economic growth is encouraged by the development of businesses, which mainly comprise of small and medium enterprises (SMEs). SMEs represent the most significant proportion of the company in Malaysia, where 97.4% of the business establishments in Malaysia are SMEs, and 78.7% are Microenterprises (SMECorp, 2022). The Malaysian government has provided many support programs and technical and financial assistance to offer a better business environment for these companies. However, the COVID-19 pandemic has greatly affected SME businesses and had provided a significant challenge to ensure business survival during the pandemic. This change has forced SMEs to compete and ensure their sustainability. Therefore, SMEs must rely on government incentives to sustain the industry and ensure they manage their resources more efficiently. The COVID-19 pandemic has caused many supply chains to be under higher-than-usual stress (Antony, 2020), which affects the supply of materials. As one of the primary resources in companies, inventory shortage will significantly impact financial performance, especially for small and micro businesses.

Various sectors are getting hit with material disruption due to the Covid-19 pandemic. Demand for products and services had declined, as well as the management of working capital; specifically, the reorder point and the lead time (Pearmunwai & Akarawichayanon, 2002). The government announcement on the movement control order (MCO) has caused rush buying and stock-outs on many types of goods because shutdowns in specific sectors also caused overstock in some categories (Michel, 2021). The MCO had caused businesses to lose profit and bear debts to suppliers due to the destruction of their goods and reduced ability to operate as usual due to a shortage in inventory supply. As one of the essential elements in a company's liquidity, SMEs need to have adequate inventory management (IM). Better awareness and knowledge relating to IM will assist SMEs to properly plan their businesses and enable prediction of the potential impact of economic lockdown on their business resources. Development in

digital technology relating to IM might be able to help SMEs. Investment in digital IM would involve some amount of investments, but with the assistance and incentive offered by the government, the issue may be resolved. The purpose of this study is to explore the challenges faced by SMEs in managing inventory, especially during the Covid-19 pandemic. This study is carried out to assist SMEs, especially Micro businesses, to have better knowledge of IM which will help them better manage their businesses, especially in dealing with the challenges from the economic uncertainties during the pandemic situation. This knowledge is very important not only during the current Covid-19 pandemic but also for overall business performance.

2. Literature Review

2.1 SMEs and Covid-19 Pandemic in Malaysia

Small and Medium Enterprises (SMEs) are essential contributors to Malaysia's economy. There is a total of 970,065 establishments of SMEs in Malaysia. Out of this, 78.7% fall under the micro category, 19.7% is categorised under small, and 1.6% are recognised as medium. SMEs contributed 37.4% of Malaysia's GDP in 2021 with 11.6% outlook in 2022. Selangor represents the largest SME establishment in Malaysia at 18.4% (SMECorp, 2022). Malaysia's government has introduced various initiatives to enhance its capacity, capability, and performance to be a globally competitive SME. The establishment of SME Corporation Malaysia (SMECorp) fosters the development of innovative, competitive, and resilient SMEs by creating a conducive environment for growth. In return, it supports the promotion of enterprises' capacities, capabilities, and growth opportunities. Through SMECorp, SMEs receive various support such as financing, brand development, technology and innovation, market access, and many other initiatives to help SMEs enhance their competitiveness, innovate, achieve superior performance, raise productivity, and gain access to international markets.

The COVID-19 pandemic has increased economic uncertainty. Many of Malaysia's key sectors are now in distress due to COVID-19. SMEs are among the substantial business sectors. Nur Asiah Razak et al. (2020) found that the COVID-19 pandemic has affected almost 87% of small business owners. Two factors that have led business owners to face loss of profit are debts to suppliers due to the destruction of their goods and their inability to conduct sales. Consequently, their businesses need more stocks to operate. The COVID-19 pandemic and intense competition among businesses within the new norm force these businesses to devise the best strategies to sustain their business, including successful inventory management.

Mohammad Tahir Zainuddin (2020) highlighted numerous factors affecting SME performance during the COVID-19 pandemic, including access to financing, supply chain, and social networking. Most SMEs worldwide reported declining revenues since the Covid-19 pandemic (Albonico et al., 2020; OECD, 2020). In China, the outbreak of COVID-19 reduced corporate revenues in listed companies, specifically in the tourism, catering, and transportation industries (Shen et al., 2020). The work-delayed decline in market demand, logistic restrictions, and crowd flow contributed to SMEs' financial problems (Yunchuan et al., 2022).

SMEs need to devise more effective strategies by effectively managing their inventories to reduce the cost of business operations, specifically during a crisis. SME's use of digital technology would encourage entrepreneurial thinking that enables them to transform challenges into opportunities when dealing with the COVID-19 crisis to ensure business sustainability (Papadopoulos et al., 2020). Firms that do not change to digitalisation will be left behind and may be unable to sustain themselves, especially during crises. During the pandemic, most businesses had to be conducted online to ensure the connectivity of operations and minimise losses. Therefore, firms that lack online presence and digital connectivity face more difficulties in being resilient (Morris et al., 2022). However, for SMEs, digitalisation is perceived as complex, costly, and unnecessary (Tong & Gong, 2020). The readiness of SMEs to switch to a digital sharing business model is still limited even though it may provide positive values (Lestantri et al., 2002).

2.2 Inventory Management Practices in SMEs

Many businesses are primarily involved with inventories, i.e., raw materials, work in progress (WIP), and finished goods (Rajeev, 2010). Horngen et al. (2007) defined inventory management as planning, coordinating, and controlling activities related to inventory flow into, through, and out of an organisation.

A survey on SMEs revealed that among the critical problems faced by SMEs were increases in raw material costs that would lead to increases in overhead costs and cash flow (SMI, 2011). These led to the failure of SMEs to identify the right target market and produce the most appropriate products, which consequently caused SMEs' weak development and production (Abor & Quartey, 2010). These factors contribute to the companies' production and

operation problems and can cause business failure (Akindipe, 2014). To ensure inventory is controlled effectively, proper documentation also plays a vital role in avoiding excessive or a shortage of inventory.

The scarcity of resources also becomes an issue in SMEs, especially regarding the workforce or the high cost required to establish a sophisticated inventory system. In their study, Guzman et al. (2012) found that most SMEs only adopted a simple system and procedure due to the need for more pressure on SMEs to adopt and implement a high-technology system. This has become a drawback and a competitive disadvantage for SMEs, in addition to their small size and less industrial experience in practising good management and production (Hashim, 2007). SME 100(2010) had identified four main problems SMEs face in Malaysia, i.e., access to market, access to finance, access to technology, and access to human capital. These would also make SMEs less capable of competing with larger industries.

Inventory management is vital to the success and growth of an organisation. Augustine and Agu (2013) found that inventory management significantly affects productivity. His findings indicated a significant relationship between good inventory management and organisational profitability. Ray (2014) found that an excessive amount of inventory lead to depressed overall sales and negatively impacted shareholders wealth. A study by Okolocha et al. (2022) found that inventory resources management had a positive impact on SMEs' sustainability. Meanwhile, Koumanakos (2008) examined the effects of inventory management performance on SMEs' company performance. He found that the higher statistical volume of inventory is related to a lower rate of company returns. However, there still needs to be more SMEs using the formal practices of inventory management with most small businesses using their inventory management system (Azleen Ilias et al., 2010; Rajeev, 2008). Therefore, there is a need to improve the technical knowledge and skills in management to improve inventory practice.

Effective inventory management involves how companies can balance the cost of inventory and profit return for company performance. Inventory management would be an early stage in evaluating the management roles and effectiveness of a company's inventory policies, which could lead to increase economic performance (Thiry, 1986). Companies with efficient inventory management have a more competitive edge over their competitors. SMEs' adoption of effective policies and manufacturing strategies, such as quality and relevant human resources policy, could directly contribute to management performance by effectively satisfying product demands (Dangayach & Deshmukh, 2006). This is consistent with the theory of inventory control, which states that it is necessary to have a good collaboration between technical matters, logistic aspects, medium connection, and supply chain aspects in controlling inventory matters. An effective collaboration would determine the quality of inventory management affected by the decisions made by the management (Morgenstern, 2007).

A study done in Enugu State supports a tied relationship between the number of quantities, quality, and inventory system that would directly affect company performance (Augustine & Agu, 2013). However, many SMEs still need to practice inventory management in their operations effectively, which is broader than just SMEs in Malaysia. Rajeev (2008), in his study of SMEs in Bangalore, found that SMEs in Bangalore also did not practice effective inventory management systems. He also needed to find a linkage and integration between the inventory and accounting system. Therefore, SMEs must enhance the efficiency of their inventory management since it is advantageous for better economic performance.

Effective inventory management also involves the supply chain, especially the relationship between a company and its suppliers. SMEs needed to ensure they effectively practice supply chain management since this would help SMEs maximise their profitability and revenue by gaining customer and supplier satisfaction (Loh et al., 2011). This is because the relationship between the parties involved in the supply chain could have a considerable impact, especially regarding cost and dollar effects. Reduction in inventories has been considered the main benefit of good interaction in the supply chain. It was contributed by the low holding cost and the significant effect of the high inventory turnover (Westbrook, 2002). The growth of the business, globalisation, and the increased number of competitors indirectly make the SMEs improve their supply chain management tools to maintain their position in the line market. Advanced technology development directly contributes to the SMEs maintaining their existing supply chain (Thurasamy et al., 2009). It was supported by a study done by Michael and McCathie (2005) who found that the adoption of technology, such as radio-frequency identification (RFID) in the company, would give an advantage in the company's performance by improving the integration and linkage between the company, supplier, and customer through the complete and exact information about the position of the product. In addition, to ensure inventory management is implemented effectively, it needs to work closely with the supply chain and gain suppliers' cooperation (Shannon, 2001). This meant that a lack of communication in the supply chain could lead to failure in company performance.

2.3 Skills and Technical Knowledge and SMEs

Employee's technical knowledge is crucial in ensuring SMEs can compete with larger enterprises. A study by Oforegbunam et al. (2010) found a significant integration between the level of education and employee's expertise to come out with quality products and services. They also argued that SMEs must provide consistent training and courses for their employees to maintain and improve their skills as human capital. In point of fact, many Malaysian SMEs face this issue. In Japan, it was also found that there was a need for SMEs to consider skilled employees as the primary role for SMEs to gain a competitive advantage, not only within their industries but with other larger companies (Economist Intelligence Unit, 2010).

The lower level of education and lack of training programs in SMEs have forced these businesses to have relevant company policies and training programs to increase their productivity via employee skill and knowledge creation (Batra & Tan, 2003). Besides that, this could promote economies of scale among SMEs and having relevant technical skills could also lead to higher efficiency, especially for SMEs involved in the manufacturing sector. Therefore, SMEs must increase their employee's skills since competition is extremely high, locally or internationally. It would also ensure that SMEs could continuously maintain their line of industries and optimise their operation performance (Li-Ping, 2009).

2.4 Information Systems and SMEs

Information technology (IT) is a shared medium to transfer information for any business and enterprise in the current business environment. SMEs should use it to compete globally (Ghobakhloo et al., 2011). The substantial benefits of IT could be of advantage for SMEs. With the increased digital technology, IT could make information more readily available in a company and contribute to a better production process flow in SMEs. Prior studies regarding the adoption of IT in SMEs found that IT is no longer only a system itself but has also been one of the support operations for SME's businesses (Ghobakloo et al., 2012). A study in Thailand discovered that IT had been one of the strategic tools to gain a competitive advantage in their industry (Chirasirimongkol & Chutimaskul, 2005). However, a different situation happened in Pakistan where the degree of IT use still needs to be adopted. This issue arose because SME employees need more expertise and skills in handling IT tools (Irfan Ahmed et al., 2010). Adopting and using IT could persuade SMEs to be more efficient in doing their businesses (Hashim, 2007). On the other side, they can also maintain the company's sustainability in the future (Fong, 2011). Nowadays, most companies are moving up to advanced technologies such as 'cloud technology'. So, SMES must adopt the respective technology to build their businesses in a highly competitive market (Limburg, 2012). Maintaining sustainability in business, distinguishing their companies from others, and gaining a competitive advantage are among the reasons SMEs need to adopt respective information technology (Murzidah Ahmad Murad & John, 2011).

Furthermore, SMEs also face challenges due to limited knowledge and resources. These prevent them from applying the best decision support system tools. According to Teerasoponpong and Sopadang (2022), a decision support system provides the best solution for inventory management which then leads to a reduction of materials purchase costs.

2.5 Inventory Management Practices During COVID-19 Pandemic

SMEs application of IT and digital technologies, especially in managing their inventory, is becoming more crucial in this pandemic. With the movement control restriction, every business transaction must be done online through a digital platform. To ensure continuous service to customers and avoid business disruption, proper inventory control policies need to be developed, and digital technology will make these processes more effective.

Surina Shukri, the Chief Executive Officer of the Malaysian Digital Economy Corporation (MDEC), emphasised that the prolonged MCO exercised on enterprises has started to impact how many SMEs manage their supply chains, delay operations, and satisfy stakeholder demands. Most SMEs use conventional marketing techniques like relying on print advertisements in newspapers or magazines, mailing flyers to customer's mailboxes, and using commercials on television, radio, or billboards, which could have been more effective during the MCO period. This leaves a small number of SMEs unable to interact physically with customers. Therefore, to ensure their existence now and in the future, SMEs must seriously consider using digital tools. Sylvia Nabila Azwa Ambad et al. (2020) discovered that this outdated strategy has yet to attract new clients and maintain existing ones. Adopting digital technology in the inventory tracking process will assist the company in managing its inventory effectively. Competency in inventory management has a favourable impact on the inventory strategy and operation procedure (Thian & Wang, 2022). These will make it as easy as possible for the company, specifically SMEs, to run their operations.

During the COVID-19 pandemic, all companies, especially small businesses, face the challenge of maintaining liquidity and preserving employment. Thus, all businesses must increase customer service by ensuring the finished product's availability and improving the delivery time to customers (Alvarez-Placencia et al., 2020). Rosencrance (2020) has identified four inventory management strategies for the Covid-19 pandemic. The first is to pay closer attention to consumer signals, which can be done through the application of e-commerce to navigate the inventory signal from the end customer. The second strategy is to focus on data; using a data analysis app will help prioritise data, a critical element in inventory management strategy. Third, diversify the supplier network; this strategy will help the company to position its business in the Covid-19 pandemic better. A diversified supplier network will increase the business ability to quickly find alternative suppliers to keep operations running, which can be supported by adopting the Just-In-Time (JIT) system. Lastly, focus on inventory accuracy. During the COVID-19 pandemic, the accuracy and reliability of an organisation's inventory levels have become exceedingly important. Organisations with poor inventory management processes and access to accurate numbers will likely need help to keep up with demands in some categories or have an oversupply of items that customers are suddenly less interested in. Thus, understanding what products are accessible is overly critical in IM strategy.

Other critical considerations in managing inventory during the pandemic include developing a detailed list of mission-critical items and updating the standard inventory levels that should be maintained for each item, evaluating the ability of the vendor to react quickly and maintain supply continuity, assessing safety stock levels both of raw materials and finished products to ensure it can meet customer demand if in case the business has a plant outage, employ technology to improve productivity and extend shelf life to hold inventory longer, consider new consignment arrangements, revisit inventory forecast and planning, and model financial impacts and update KPIs in multiple scenarios (Puglia & Doyle, 2022). It is crucial for businesses to always have a clear inventory picture. This is especially important during the COVID-19 pandemic when material shortages and shipping delays can disrupt operations, as well as the ability to track the inventory. A proper inventory tracking process using a digital platform will assist the company in managing its inventory more effectively.

3. Research Methodology

This study used convenient sampling, where ten small and micro businesses operated in Selangor were selected as a sample. Various SMEs were contacted to participate in this study, and 10 agreed. These SMEs will be chosen as the subjects of research as they are more readily accessible (Etikan et al., 2016). To explore how SMEs manage their inventory during the COVID-19 pandemic, semi-structured interviews using questionnaires were conducted with managers of SMEs based on their experience or phenomenon of a pandemic and direct involvement in inventory management. A semi-structured interview is a relatively detailed interview guide or schedule that is helpful in granting the freedom to synthesise any relevant and vital issues to understand the impact of a pandemic on SMEs during the session. 10 SMEs were interviewed, and the interviews were conducted for about one to two hours, depending on the requirements and respondents' availability.

The semi-structured interview questions comprised two main sections. The first section contains six questions that were focused on the demographic profile of the respondents. They were asked about the types of business, the industry they are involved in, the number of employees, annual sales, average net profit, and average annual inventory. The second section collects information about the level of Inventory Management Practices by SMEs. This section aims to gauge the respondents' understanding of their IM practices. Among the questions asked were related to the ordering system, the level of inventory control practices in their business, skills, knowledge of inventory control and the extent of information technology used. The respondents were also allowed to give their opinions on the inventory management issues and any other challenges they faced.

4. Results

4.1 The Interviewees Profile

The interviewees' profile is presented in Table 1. This study selected interviewees from three categories: retail, manufacturing, and services. Six of the 10 interviewees are from retail businesses, and the rest are from the manufacturing or service industry. The interviewees were involved with activities such as gifting and florist, art and stationery, fashion, toys, food and beverage, and baking, with employees ranging from 3 to 40.

Table 1. The Interviewee's Profile

Interviewee	Types of Business	Business Activity	Number of employees
1	Retail	Gift & Florist	6
2	Retail	Art & stationery	2
3	Retail	Fashion	6
4	Retail	Toys	5
5	Retail & Manufacturing	Food & Beverage	3
6	Manufacturing	Food & Beverage	10
7	Retail	Retail & Sales	5
8	Manufacturing	Baking Industry	10
9	Retail	Retail	40
10	Service	Food & Beverage	10

4.2 Inventory Management System Practices

4.2.1 Ordering System

Table 2 shows current ordering system practices among SMEs interviewed. It was found that the types of inventories were classified either as Raw Material, Finished Goods, or both. Five interviewees classified their inventory as finished goods only, while the rest classified either Raw material or both. The frequency of inventory orders ranges from twice a week to once a year, and the lead time is between one day to two months. All the interviewees maintain inventory records either manually or using the system. This indicates that the respondents are indirectly involved with inventory management even though they may have little knowledge of proper inventory management.

Table 2. Ordering System

Interviewee	Type of inventory	Frequency order	Lead time	Inventory record	Stock Maintenance
1	FG	1-2 /week	Few days	Y- Kryptopus	Y
2	FG	1/ mth	5-6 days	Y- system of point	Y
3	RM & FG	Once a year	2 months	Y- storehub software	Y
4	FG	5/ week	1 month	Y- Synergy SST Accounting Software	Y
5	RM & FG	2/ week	2 days	Y- Manual	Y
6	RM & FG	2/ week	1-3 days	Y- manual	Y
7	FG	Once a month	1-2 weeks	Y- manual	Y
8	RM	Once a week	1 day	Y- manual	Y
9	FG	4 times a week	PNC	Y- manual	Y
10	RM	2 times a week	3 days	N	Y

4.2.2 Inventory Control

Table 3 shows the inventory management and control practice level of the interviewees' businesses. The overall mean is 4.1, demonstrating that they have used reasonable inventory management procedures in managing their businesses. Most of the respondents did apply the inventory management practice, but some areas need to be improved. The results show a very high application of practice in preparing proper documentation for inventory control, followed by careful investigation for shortage or overstock issues as a second rank. Not to mention, records of the inventory and annual stock count were also kept count and the maintenance of optimal levels of stock were ranked as third and fourth respectively. The company needs to keep proper documentations to avoid mistakes in inventory calculation and overstocking of their stock which can negatively impact the company. The results show that the interviewees moderately agree that proper inventory movement record and coding of materials are least important for easy access or trace for inventory control.

Table 3. Inventory Control

No	Inventory Control	Mean	Ranking
1	Proper supporting documents	4.5	1
2	Annual Physical count	4	5
3	Coding	3.7	6
4	Inventory movement record	3.7	6
5	Optimum level	4.1	4
6	Physical control	4.2	3
7	Recording	4.2	3
8	Investigation	4.3	2
	Overall	4.1	

4.2.3 Skills and Knowledge Regarding Inventory Control

The capacity of a company to use optimum inventory management practices will be determined by its inventory control abilities and knowledge. These responsibilities include monitoring inventory levels, buying supplies, assessing order requests, and dealing with vendors. Table 4 shows the extent of the interviewee's skills and knowledge regarding inventory control. The overall mean is 3.7 indicating the interviewees' moderate skills and knowledge of inventory control which are crucial because a lack of essential business management experience and skills significantly contribute to small and micro businesses' failure. The ranking shows that they can maintain a record of stock movement and understand how to compute the minimum stock level to avoid stock out, the maximum stock level to identify the economic order quantity and the stock reorder level to estimate the maximum stock consumption to minimise stock holding costs. Knowledge and skills in managing inventory are critical since holding inventory for a long time may be disastrous and costly. The result also indicates that the interviewees agree that they needed to have accounting knowledge and knowledge of management and procedures related to inventory control.

Table 4. The Skills and Knowledge Regarding Inventory Control

Skills and Knowledge of Inventory Control	Mean	Ranking
Knowledge	3.2	7
Calculate the minimum stock level	3.9	3
Maximum stock level	3.5	6
The reorder level	3.7	5
Ability to maintain records	4.1	1
Ability to understand and follow instructions in managing inventories	3.9	3
Place order for moving inventory at the right quantity and quality	3.7	5
Minimise holding cost	3.7	5
Accounting knowledge	3	8
Make frequent check	3.5	6
Physical count of inventory to manage deterioration and obsolesce	3.8	4
Record stock movement	4	2
Overall	3.7	

4.2.4 Usage of Information Technology (IT) in Inventory Management Practices

Table 5 shows the results of the overall mean for the usage of information technology in business, which is 3.7. The mean indicates that the level of usage of information technology in the business is still at a moderate level and that some of the areas still need improvement for better flow in the business. In this era of technology, the company did keep up with the trend of using information networks such as the Internet for their business. For example, they have their own social media account, such as Facebook, Instagram, and TikTok, to conduct their sales and marketing, as well as to promote their online business to the public. Other than that, they constantly observe the current trends online to ensure they are caught up.

The results also reveal higher scores for utilisation of information networks, such as the Internet, to assess information, communication with suppliers, and easy access to data for personnel. The company will usually deal with suppliers and customers through mobile phones and email as it is easier and cost- and time-effective. Finally, the result shows a lower score on EDI usage and usage of bar code systems in business operations. Most of them did not categorise each item according to the classes. Accurate and timely data capture can track the level of stock left in the store, which results in increased productivity.

Table 5. The Extent of Information Technology (IT) Used

Information Technology (IT) Used	Mean	Ranking
Uses a computerised accounting system	3.8	4
Businesses use computers to communicate with your supplier	3.5	5
Use information networks such as the Internet to assess the information	4.4	2
Fast and immediate accessibility to the information	4.1	3
Suppliers communicate with you by using mobile phone	4.6	1
Businesses use EDI (Electronic Data Interchanges) when dealing with their customers	3.4	6
Use EDI when dealing with supplier	2.9	7
Use the bar code system in your business operation	2.6	8
Overall	3.7	

Information technology (IT) encompasses everything computer-related in businesses. Building a company's communication networks, safeguarding data and information, creating and administering databases, assisting employees with computer or mobile device problems, and various other tasks to ensure the efficiency and security of business information systems are all examples of information technology. It is critical to accelerate business growth by equipping them with the tools needed to handle complex challenges.

4.3 Issues and Challenges Faced by Small Businesses in Inventory Management

Most small organisations, such as SMEs, are unprepared to implement appropriate inventory management due to the lack of high-level inventory management skills. This can be attributed to the fact that most businesses solely focus on how they will expose their firm to the public via marketing and advertising while ignoring inventory management. In addition, they are unaware that inventory management may boost the company's performance by recognising which items must have strong client demand. This is because products with high demand must constantly be stocked in the company's warehouse, enhancing productivity and monthly sales.

In addition, most small businesses believe deploying a software-based inventory management system is costly and would increase the company's expenses. This assumption is made since most small businesses need to employ workers with information technology expertise who can advise on the actual cost of purchasing a license for inventory management software. Due to a lack of experience with inventory management software, most small firms are hesitant to adopt an appropriate system for their inventory and continue to maintain their stock of items manually.

Most of these small companies are family-owned, and their owners operate their retail operations on a modest size. They have yet to make plans to grow their operations to a larger scale; consequently, they have chosen to operate as a small business. Because of this, they are forced to remain in their comfort zone, where they are used to manual inventory management and have little interest in acquiring new skills or adjusting to the rapid pace of technological advancement. Most owners do not take the initiative to participate in courses organised by the government that aims to assist small businesses in continuing to progress despite rapid technological development.

Among other challenges SMEs face in Malaysia is limited skilled human capital to ensure an effective control system. According to findings, SMEs are well-equipped to conduct frequent stock inspections to detect and manage stock loss, waste, and fraud. Aside from that, they should be familiar with inventory recording and inventory control concepts and procedures. They also understand how to compute the minimum stock level to avoid stock out, the maximum stock level to identify the economic order quantity, and the stock reorder level to estimate the maximum stock consumption. They can also keep inventory, time, and labour completed records, store moving items to save

holding costs, and take physical inventory counts to control deterioration and obsolescence. On the other hand, they have a balanced ability to grasp and follow instructions in inventory management, order placement knowledge for moving inventory at the proper amount and quality, and understand accounting, management concepts, practices, and processes.

5. Discussion

The inventory management is a critical information provider that could reveal information about SMEs' operations and performances (Lwiki et al., 2013). By implementing an efficient inventory management system, businesses can reduce cost associated with inventory maintenance, prevent stock shortages, and mitigate fulfilment delays, which can ultimately impact customer satisfaction and long-term sustainability of the businesses. To sustain in the industry, SMEs must not only rely on government incentives but also ensure that they can manage their business resources efficiently in an uncertain business environment. In order to ensure SMEs could gain more competitive advantage in their lines, the role of inventory management should not be overlooked as it plays a significant portion in companies' performance. It is one of the essential elements in company liquidity, constituting the current assets in the statement of financial position (Kruger, 2005). Thus, it is critical for SMEs to have proper inventory management, especially in dealing with the economic uncertainty of the Covid-19 pandemic.

For SMEs, the Covid-19 pandemic caused businesses to lose profit. They bear debts to suppliers due to the destruction of their goods and are unable to operate as usual due to a shortage in inventory supply. The Malaysian government's announcement on the lockdown had caused rush buying and stock-outs on many types of goods and caused many supply chains to be under higher-than-usual stress. As one of the essential elements in a company's liquidity, SMEs need to have effective inventory management. Enhanced knowledge relating to inventory management can assist SMEs in proper planning of businesses and prediction of potential impact of economic lockdown on their business resources.

Development in digital technology relating to inventory management might help SMEs. Investments in digital would involve some amount of investment, but the assistance and incentives offered by the government could resolve this issue. This study was carried out to assist SMEs, especially micro businesses, to have better knowledge of inventory management, which will help them better manage their businesses, especially in dealing with the challenges from the economic uncertainties during the pandemic. This knowledge is very important during the current COVID-19 pandemic and for overall business performance.

6. Conclusion

The findings show that the level of IM practices among SMEs are moderate. However, this study observed low practice in the inventory control and adoption of IT. It was found that SMEs were not aware of the importance of inventory control, especially when there is a case of inventory discrepancies. They were also unaware that this problem might create liquidity issues for the company. This is consistent with the finding on the lack of IM knowledge among SMEs. Liquidity is a very critical element for the company, especially during the COVID-19 pandemic. Despite various government funding supports available, numerous SMEs highlight the support is inadequate to ensure their business sustainability. Another critical factor found in this study is the adoption of IT. The use of IT is mainly for communication with supplier and internet-use. The government offers many digital grants for SMEs; they are advised to accept the opportunity and adopt the IT to support inventory control in their businesses. Inventory control theory highlights the importance of the inventory to reach customer on time, thus, to consider any potential consequences related to inventory such as logistic, supply chain, and the quality of IM (Morgenstern, 2007; Barwa, 2015). Thus, IM knowledge and IT adoption are essential drivers to support inventory control activities in SMEs, followed by financial resources.

Only 10 SMEs were interviewed for this study, and the majority of respondents are from the retail sector. Therefore, future research can be carried out to cover more sectors so that the findings can be more generalised to all SMEs. Extensive research in this area is needed to be carried out, especially in specialised industries such as the construction and tourism industry. Both are also critical to have effective IM as the liquidity of the business depending on the amount of investments allocated to inventory.

In conclusion, the success factors of the SMEs in Malaysia retail industry were marked differently which strongly impacts its viability. With just-in-time inventory and lean business models becoming more pervasive, SMEs need to be more concerned about where their inputs are coming from and their contingencies if they are delayed or lost. Small businesses should prepare and practice business continuity plans. It will minimise the impact of the interruption, retain customers and business reputation, and enable organisations to get back on track as soon as

possible. SMEs may implement the recommendations suggested to improve inventory management effectively. Among the SMEs sampled, their current inventory management practices are acceptable, but there is ample room for improvements to ensure seamless and effective operation of their businesses. As such, it will benefit SMEs' inventory management and reduce similar issues in the future. Finally, SMEs should measure their performances after implementing the improved management practices by consistently monitoring and taking corrective actions when needed. It can help SMEs observe the differences in their business operations and steer their business practices in the right direction.

This present study underscores the necessity for SMEs to address the common issues and challenges they encounter. Therefore, SMEs should improve their inventory management and apply effective inventory management to ensure their businesses can continue to expand and operate long-term. Effective inventory management can reduce the difficulty of operations contributing to an organisation's performance, such as planning, implementing, and managing a distribution and shipping network. Thus, enhancing an organization's inventory management will significantly increase business performance results.

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